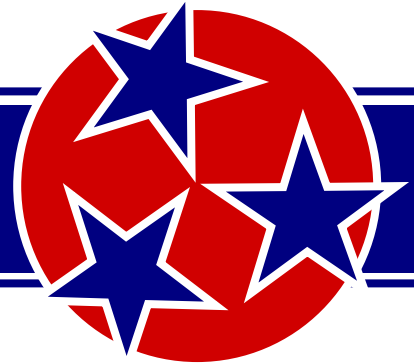


**TENNESSEE EDUCATION LOTTERY
SCHOLARSHIP PROGRAM
ANNUAL REPORT**

Outcomes Through Fall 2007

Prepared by the Tennessee Higher Education Commission

COMMISSION OVERVIEW

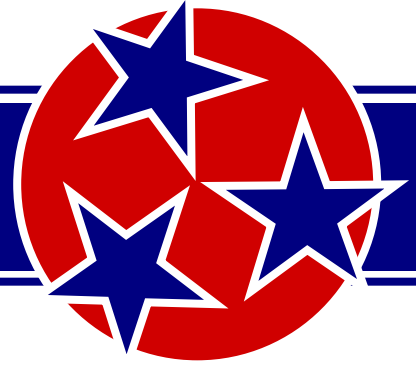


The Tennessee Higher Education Commission (THEC) was created in 1967 by the Tennessee General Assembly (TCA 49-7-202) for the purpose of coordinating and supporting the efforts of postsecondary institutions in the State of Tennessee.

The mission for Tennessee's twenty-first century system of higher education is to:

- Elevate the overall educational attainment of citizens in the State through increased accessibility to mission-focused institutions, which deliver educational services on campus, as well as through a planned network of off-campus instruction, and
- Prepare citizens responsibly for success in the new century by providing high quality teaching and research in an environment that serves the needs of its consumers.

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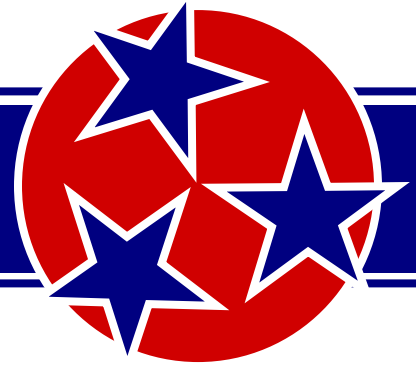
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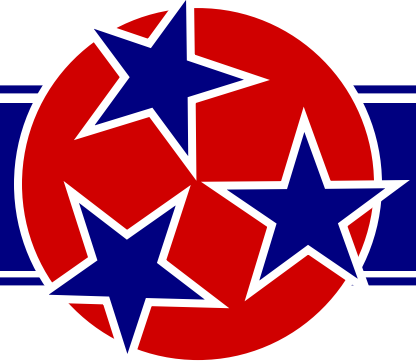
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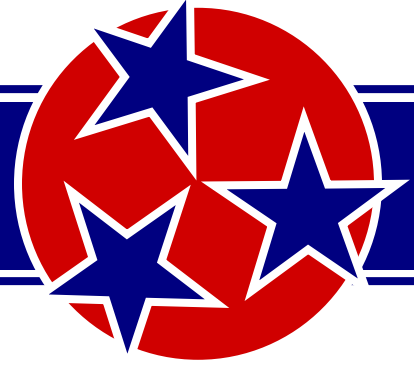
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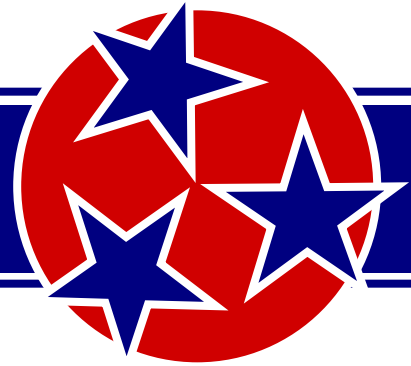
EXECUTIVE SUMMARY



- **The 2006-07 academic year marked the third year of the Tennessee Education Lottery Scholarship (TELS) program.**
 - More than 67,000 students received lottery funded scholarships with total award allocations in excess of \$191,000,000.
 - The Dual Enrollment Grant program, which was added in 2005, continues to grow rapidly with 8,300 high school students participating.
 - The number of students using the Wilder-Naifeh Technical Skills Grant program dropped by 300 students from 10,023 to 9,721 from 2005-06 to 2006-07; however, the total funding for the program increased from \$7.9 million to \$8.1 million.
- **In the 2007-08 academic year, the TELS program reached maturity with five classes of students.**
 - It is estimated that the program will expend \$233 million to serve some 78,000 students in 2007-08. Projected expenditures for 2008-09 are \$238 million.
- **The demographic breakdown of TELS recipients by gender, race/ethnicity, and postsecondary sector has remained steady over time, with family income being the only exception.**
 - As the program continues, the percentage of students in the higher income bracket grows. Though there might be some actual growth in students in the highest income bracket, it is also likely that inflation is pushing more students into that bracket.
- **Racial and gender differences regarding the level of academic preparation for a TELS award persist among Fall 2006 TELS first-time freshmen at public institutions.**
 - 55 percent of Fall 2006 TELS first-time freshmen at public institutions met the ACT and GPA requirements, 26 percent met only the GPA standard, and 19 percent met only the ACT requirement.
 - 59 percent of Caucasian awardees met both the GPA and ACT requirements compared to 35 percent of African American participants.
 - African American awardees were most likely to meet the GPA requirement only (48 percent), and males were more likely than females to qualify solely on the basis of ACT (26 to 13 percent).

- **Higher income students retain the lottery scholarship at a higher rate than their peers.**
 - Though the programs have the same initial academic eligibility criteria, 57 percent of Fall 2006 first-time freshmen HOPE recipients from families earning over \$96,000 retained their awards into their second year as compared to 42 percent of ASPIRE recipients from families earning \$12,000 and below.
- **Better prepared students retain the lottery scholarship at a higher rate than their peers.**
 - For Fall 2006 TELS first-time freshmen who qualified by meeting both the ACT and high school GPA criteria for initial eligibility, the Fall 2007 scholarship retention rate was 62 percent; for those qualifying solely on the basis of ACT, the scholarship retention rate was 43 percent; and for those qualifying solely on the basis of GPA, the scholarship retention rate was 40 percent.
 - Among Fall 2006 first-time freshmen who qualified on the basis of both high school GPA and ACT score, scholarship retention rates for African American and Caucasian students are similar.
- **A third of TELS recipients persist to their fourth year on the lottery scholarship.**
 - 50 percent of Fall 2004 TELS first-time freshmen retained their award into their second year, 36 percent retained their award into their third year, and 32 percent retained their award into their fourth year.
- **Scholarship recipients are retained in college at a higher rate than their peers.**
 - 65 percent of Fall 2004 TELS first-time freshmen are retained in college through their fourth year as compared to 52 percent of all students.
- **The TELS program has likely induced students to attend in state and has coincided with an increase in the average ACT score of incoming first-time freshmen at the University of Tennessee, Knoxville.**
 - Since the scholarship, the annual rate of growth in enrollment among Tennessee resident freshmen has accelerated at independent institutions and the UT system while decelerating at TBR universities, community colleges, and out of state institutions.
 - Among recent Tennessee high school graduates who enroll in college, the percentage choosing Tennessee institutions has increased from 82 percent before the lottery scholarship to 85 percent currently.
 - The ACT profile of the entering freshman class has improved at UT Knoxville, though not at other public institution types.

PROGRAM OVERVIEW AND RECIPIENT DEMOGRAPHICS



STATUTORY CHARGE

This report is prepared pursuant to T.C.A. §49-4-903(b), which directs the Tennessee Higher Education Commission (THEC) to:

“...provide assistance to the general assembly and to the Tennessee Student Assistance Corporation (TSAC) by researching and analyzing data concerning the scholarship and grant programs created under this part, including, but not limited to, student success and scholarship retention.”

The report is divided into four major sections:

- Program Overview and Recipient Demographics, which describes the program’s objectives, eligibility requirements, and size and scope;
- Scholarship Retention, which describes the rates at which freshman cohorts receiving various types of awards retained those awards one year later, focusing particularly on differences in scholarship retention across levels of family income and academic preparation;
- College Retention, which longitudinally tracks the Fall 2004 first-time freshman class into its second, third, and fourth year of college for continued enrollment with or without the scholarship; and first-to-second year behavior of all classes with an emphasis on the Fall 2006 first-time freshmen class; and
- An examination of student matriculation patterns prior to and following the lottery scholarship program.

PROGRAM OVERVIEW

The Tennessee Education Lottery Scholarship (TELS) program was designed to meet the unique needs of the state of Tennessee by incorporating the hallmark elements of existing merit-based aid programs in other states. Developed through a process involving elected officials and members of the academic community, the TELS program aims to address the following broad public policy objectives:

- Improve academic achievement in high school through scholarship incentive;
- Provide financial assistance as a means of promoting access to higher education;
- Retain the state’s “best and brightest” students in Tennessee colleges and universities; and
- Enhance and promote economic and community development through workforce training.

The TELS program comprises five distinct scholarship awards, each with its own set of eligibility requirements (**Table 1**). The Wilder-Naifeh Technical Skills Grant was designed to address the final goal in the list above and is available to any state resident enrolled in a certificate or diploma program at a Tennessee Technology Center (TTC). All other lottery scholarships and awards require students to achieve a certain high school grade point average (GPA), standardized test score (ACT or SAT), or both.

While initial eligibility criteria differ by award, the renewal criteria are consistent across all award types: a 2.75 cumulative GPA or better after 24 credit hours attempted and a 3.0 cumulative GPA or better for each subsequent 24 credit hours attempted. The award is available for up to five years, 120 hours of attempted coursework, or baccalaureate degree attainment, whichever comes first.

Table 1
Tennessee Education Lottery Scholarship Eligibility and Retention Criteria, 2007-08

	HOPE (base)	General Assembly Merit Scholarship	ASPIRE (HOPE with need supplement)	Access Award	Wilder-Naifeh Technical Skills Grant
Amount (4-yr.)	\$4,000	\$5,000	\$5,500	\$2,750	N/A
Amount (2-yr.)	\$2,000	\$3,000	\$3,500	\$1,750	\$2,000
Minimum High School GPA	3.00	3.75	3.00	2.75	N/A
Minimum ACT Composite	<u>or</u> 21	<u>and</u> 29	<u>or</u> 21	<u>and</u> 18-20	N/A
Family Adjusted Gross Income	N/A	N/A	\$36,000 or less	\$36,000 or less	N/A
College Retention GPA	Cumulative 2.75 at 24 hours, cumulative 3.0 at 48, 72, 96 hours			Cumulative 2.75 at 24 hours allows qualification for HOPE	Satisfactory academic progress

While the programs listed above account for the majority of students and funding in the lottery scholarship program, several other legislative initiatives passed since 2004 now serve as components of the overall program. These include the HOPE Scholarship for Non-Traditional Students, Foster Child Grant, and Dual Enrollment Grant.

Program Size and Scope

The TELS program has grown steadily since its inception in 2004-05 and reached maturity this year, in 2007-08. Monetarily, the program grew from expending \$93 million in its initial year to \$191 million in 2006-07. Enhanced by an additional year of freshmen students each year as well as the addition of a Dual Enrollment Grant for high school students, the number of students served grew from 40,000 in the program's inaugural year to 67,000 in 2006-07 (**Table 2**).

Table 2
Scholarship Recipients and Dollars Awarded, 2004-05 to 2006-07

	2004-05		2005-06		2006-07	
	Students	Dollars	Students	Dollars	Students	Dollars
HOPE	31,272	\$86,650,189	40,275	\$123,345,913	33,120	\$108,329,304
GAMS	included in HOPE totals		included in HOPE totals		3,915	\$18,220,292
ASPIRE					11,625	\$52,784,041
HOPE ACCESS Grant	108	\$152,560	265	\$490,294	314	\$639,716
Wilder-Naifeh Grant	8,815	\$6,613,273	10,023	\$7,860,163	9,721	\$8,072,603
HOPE Foster Care Grant	n/a	n/a	30	\$88,245	17	\$34,604
Dual Enrollment Grant	n/a	n/a	5,465	\$2,060,356	8,306	\$3,600,922
Total	40,195	\$93,416,022	56,058	\$133,844,971	67,018	\$191,681,482

Source: Tennessee Student Assistance Corporation (TSAC) year-end report

The program reached maturity with five classes of students in 2007-08 (the current year). It is estimated that the program will expend \$233 million to serve some 78,000 students in 2007-08. Projected expenditures for 2008-09 are \$238 million.

Examining the distribution of TELS recipients by postsecondary system in 2006-07 (**Table 3**), colleges and universities in the Tennessee Board of Regents (TBR) system enrolled the largest share of scholarship recipients (45 percent of the overall total), with 31 percent attending a TBR university and 14 percent attending a community college. Students attending a University of Tennessee (UT) campus represented 23 percent of all scholarship recipients. More than 9,000 recipients, or 16 percent of all awardees, attended member institutions of the Tennessee Independent Colleges and Universities Association (TICUA).

Table 3
Distribution of Scholarship Recipients and Dollars by System, 2006-07

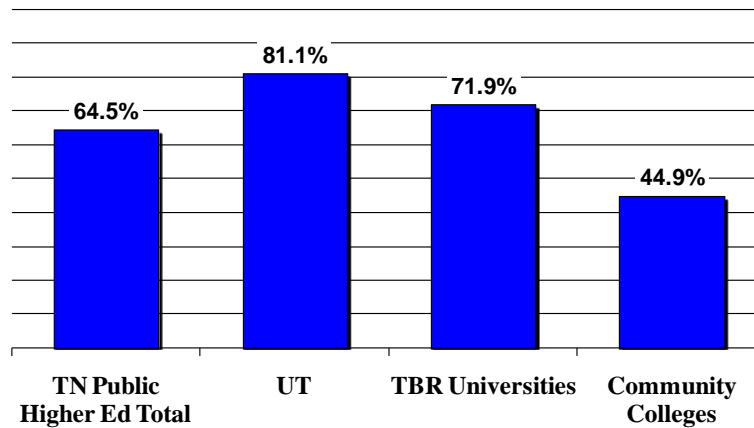
	Students		Allocations	
	Number	Percent	Dollars	Percent
UT System	13,887	23.4	\$54,645,184	29.1
TBR 4-Year	18,350	30.9	\$71,599,756	38.1
TBR 2-Year	8,106	13.6	\$16,204,552	8.6
Independents	9,262	15.6	\$37,063,311	19.7
Technology Centers	9,721	16.4	\$8,072,603	4.3
Private/Business	66	0.1	\$260,550	0.1
Total	59,392	100.0	\$187,845,956	100.0

Source: TSAC year-end report

Because award amounts differ depending on the sector attended, the dollar share exceeds the student share in certain sectors -- UT, TBR universities, and independent institutions. The reverse is true of community colleges and technology centers.

Looking at TELS recipients in relation to all students (**Figure 1**), 64.5 percent of Fall 2007 freshmen in Tennessee public institutions attended on a lottery scholarship. The percentage of students on scholarship was higher at universities than at community colleges. The proportion of all first-time freshmen that are TELS recipients has remained steady. These data are not available for independent institutions at this time.

Figure 1
Percentage of Fall 2007 Freshmen Attending Postsecondary
on Lottery Scholarship



*Tennessee resident first-time freshmen who were 19 or younger; public institutions only. HOPE, GAMS, ASPIRE, and Access awards only.

Recipient Demographics

The TELS program reached maturity in the 2007-08 academic year. It currently contains five classes of students, with current fifth-year students having started as sophomores in Fall 2004, the program's inaugural year. This section will briefly comment on lottery scholarship receipt by student gender, race/ethnicity, family income, and postsecondary sector attended. The analysis is limited to the General Assembly Merit Scholarship (GAMS), HOPE, ASPIRE, and Access awards. THEC will prepare separate analyses of the Wilder-Naifeh and non-traditional student programs in the near future, and a report on dual enrollment is available on the THEC website at www.state.tn.us/thec.

The composition of recipients within the various lottery scholarship programs has remained fairly steady since the program's inception. Percentages of students by gender, race/ethnicity, postsecondary sector, and family income have remained relatively unchanged. Highlights are summarized below, accompanied by data tables.

Scholarship Recipients by Gender

- Female recipients comprise approximately 56 percent of first-time freshmen and 59 percent of all recipients.
 - Female students have also comprised 59 percent of total headcount within Tennessee public postsecondary higher education over the life of the lottery scholarship program.
 - Females retain the scholarship at a higher rate than males, thus the increase in share of recipients over time.

Table 4
Lottery Scholarship Receipt by Gender

	2004	2005	2006	2007
Female First-Time Freshmen	56%	57%	57%	56%
Male First-Time Freshmen	44%	43%	43%	44%
Female Overall Cohort	58%	59%	61%	59%
Male Overall Cohort	42%	41%	39%	41%

Scholarship Recipients by Race/Ethnicity

- Proportions of students by race/ethnicity have remained fairly steady since the inception of the lottery scholarship.
 - Caucasian students have consistently comprised about 83 percent of first-time freshmen and about 85 percent of all recipients.
 - African American students represent 12 percent of first-time freshmen and 9 percent of all students.
 - African American students consistently constitute a smaller portion of scholarship recipients (9 percent) than they do within the state's public postsecondary population as a whole (18 percent).
 - A one percent increase per year in African American first-time freshmen since 2005 might indicate an upward trend in scholarship receipt for African American students; however, the change is slight and inconclusive at this time.
 - Native American, Asian, Hispanic and students of multiple races account for the remaining 5 to 6 percent of first-time freshmen and all recipients.
- There is variation in representation by race/ethnicity across award types.
 - Of students receiving the GAMS award, 85 percent are Caucasian, 12 percent are Native American, Asian, Hispanic and multiple races and 2 percent are African American.
 - Within the income based ASPIRE program, African American students comprise 19 percent of the population, about the same as their share of Tennessee public postsecondary enrollment.

Table 5
Lottery Scholarship Receipt by Race/Ethnicity

	2004	2005	2006	2007
African American First-Time Freshmen	11%	10%	11%	12%
Caucasian First-Time Freshmen	84%	84%	83%	83%
Other First-Time Freshmen*	5%	6%	6%	5%
African American Overall	10%	9%	8%	9%
Caucasian Overall	85%	86%	87%	85%
Other Overall*	5%	5%	5%	6%

*Other includes Asian/Pacific Islander, Alaskan Native, Hispanic, and American Indian

Scholarship Recipients by Postsecondary Sector

- The share of students by postsecondary sector has varied slightly since the beginning of the lottery scholarship program.
- While the public four-year sector's share of freshman TELS recipients remained steady from Fall 2004 to Fall 2007 (at 62 percent), this sector gained five percentage points in its share of total recipients, from 62 to 67 percent (**Table 6**).
- The independent sector's share of scholarship recipients remained steady.
 - Possible explanations for the variation include transfer from two-year to four-year institutions, two-year students completing an associate's degree, or the phased-in aspect of the scholarship program.

Table 6
Lottery Scholarship Receipt by Postsecondary Sector

	2004	2005	2006	2007
Public 4-year First-Time Freshmen	63%	61%	63%	62%
Public 2-year First-Time Freshmen	22%	24%	21%	23%
Independent First-Time Freshmen	15%	15%	16%	15%
Public 4-year Overall	62%	63%	67%	67%
Public 2-year Overall	21%	20%	15%	17%
Independent Overall	17%	17%	18%	17%

Scholarship Recipients by Family Income

Scholarship applicants complete the Free Application for Federal Student Aid (FAFSA), enabling THEC to analyze lottery recipients by family income. A unique element of Tennessee's merit program is that recipients from families with adjusted gross income (AGI) of \$36,000 or less qualify for a need-based supplemental award. Students from families that meet this income criterion accounted for 23 percent of all TELS recipients in Fall 2007 (**Table 7**). Such students represent 38 percent of all ACT test-takers in Tennessee, and families in this income range are 45 percent of the state's population as a whole.

- The share of freshman TELS recipients from families with annual income higher than \$96,000 increased by six percentage points between 2004 and 2007.
 - Though this may be an indication that more wealthy students are qualifying for the awards, it is also important to note that AGI is not adjusted for inflation, which may have some influence on the overall increase in income.
- The proportion of all students with an AGI of \$96,000 or more has also consistently remained higher than its proportion of freshmen. The share of these students has risen steadily over time, possibly indicating higher scholarship retention rates by this group or a tendency of students within higher income brackets to choose four-year institutions. However, this increase is also likely due in part to a growth in students within the highest income brackets because inflation has increased Adjusted Gross Income over time.

Table 7
Lottery Scholarship Receipt by Family Income

Adjusted Gross Income (AGI)	First-Time Freshmen				All Recipients			
	2004	2005	2006	2007	2004	2005	2006	2007
\$12,000 or less	6%	9%	9%	12%	6%	7%	8%	8%
12,001-24,000	10%	9%	9%	10%	9%	8%	7%	8%
24,001-36,000	11%	10%	11%	10%	10%	10%	9%	10%
36,001-48,000	11%	10%	9%	11%	11%	10%	9%	10%
48,001-60,000	11%	10%	10%	11%	11%	11%	10%	10%
60,001-72,000	11%	10%	10%	11%	11%	10%	10%	10%
72,001-84,000	10%	10%	10%	9%	10%	10%	10%	10%
84,001-96,000	8%	8%	8%	7%	8%	9%	9%	9%
above 96,000	22%	24%	25%	19%	23%	25%	28%	25%
Total	100%	100%	100%	100%	100%	100%	100%	100%

*Percentages may not add to 100 due to rounding.

Scholarship Recipients by Academic Preparation

The Fall 2005 first-time freshman class of TELS recipients is an appropriate one for analysis because these students began the program under current scholarship standards with a required 21 ACT composite score rather than a 19. **Table 8** indicates the various ways in which the Fall 2005 and Fall 2006 first-time freshman classes qualified for awards: meeting the high school GPA standard, meeting the ACT standard, or both.¹ Results are shown for each award type and are broken down by gender and race/ethnicity. **Appendix A** further disaggregates these results by postsecondary sector and institution.

Student Preparation in Overall TELS Program. Looking across all TELS award types, 55 percent of Fall 2006 first-time freshman recipients met the high school GPA and ACT criteria for initial eligibility, down from 59 percent for the Fall 2005 class.² An additional 26 percent qualified solely based on high school GPA, unchanged from 2005. Another 19 percent qualified on the basis of their ACT score only, an increase from 15 percent in 2005.³

- While Caucasian students were more likely to meet both criteria than were African American students (59 percent compared to 35 percent), African Americans were much more likely to qualify solely on the basis of high school GPA (48 percent to 23 percent). Caucasians and African Americans were equally likely to have qualified by meeting only the ACT standard.
- Among students who qualified by meeting only one standard as opposed to both, females were more likely to qualify on the basis of high school GPA standard, while males were more likely to qualify on the basis of an ACT composite score.
- Examining scholarship qualification methods by race and gender, Caucasian females were the group most likely to meet both standards; African American females were the group most likely to qualify on the basis of high school GPA only; and African American males were the group most likely to qualify based on the ACT standard only.

Student Preparation for HOPE. Within the basic HOPE award, the percentage of Fall 2006 first-time freshmen meeting both initial eligibility criteria was just slightly higher than the scholarship program overall – 56 percent as compared to 55 percent. Another 24 percent qualified based on high school GPA only, and 20 percent qualified only on the basis of their ACT score.

- The percentage of Caucasian recipients who met both criteria exceeded the percentage of African American recipients meeting both criteria by 17 points (58 percent compared to 41 percent), which decreased the previous year's gap of 19 points. Alternatively, 39 percent of African American recipients qualified by

¹ Data on the student preparation of Fall 2005 first-time freshmen included students from private institutions; however, Fall 2006 private sector first-time freshmen have been excluded due to incomplete reporting of ACT and high school GPA by some private institutions, identified during the course of the analysis.

² Put another way, if both criteria had been required, 45 percent of these recipients would have been ineligible. It is important to note that 5 percent of students in Fall 2006 were excluded from this analysis because of missing or inaccurate data. Similar exclusions were not made in the Fall 2005 analysis. THEC will be looking at this issue more extensively and will issue a report on the relationships between high school preparation, income, race/ethnicity and scholarship qualification and retention.

³ All General Assembly Merit Scholarship recipients satisfied both academic standards, as required by that award.

meeting the high school GPA requirement only, compared to 22 percent of Caucasians.

Student Preparation for ASPIRE. Within the need-based ASPIRE award, 47 percent of Fall 2006 first-time freshmen met both initial eligibility criteria. Another 36 percent qualified based on high school GPA only, and 16 percent qualified only on the basis of their ACT score.

- The percentage of Caucasian recipients who met both criteria exceeded the percentage of African American recipients meeting both criteria by 25 points (53 percent compared to 28 percent), which is similar to last year. Alternatively, African American recipients were nearly twice as likely as Caucasians to have qualified by meeting the high school GPA requirement only (57 percent to 30 percent).

Table 8a
Academic Preparation:
Qualification Standards Met by Fall 2005 First-time Freshman TELS Recipients

Scholarship Preparation: GPA and ACT				
	All Programs	HOPE	GAMS*	ASPIRE
Total	59%	59%	100%	50%
Female	60%	62%	100%	50%
Male	57%	56%	100%	50%
African American	37%	42%	100%	30%
Caucasian	62%	61%	100%	54%
African American Female	38%	46%	100%	31%
African American Male	33%	35%	100%	30%
Caucasian Female	64%	63%	100%	55%
Caucasian Male	60%	58%	100%	53%

Scholarship Preparation: GPA				
	All Programs	HOPE	GAMS*	ASPIRE
Total	26%	36%	N/A	24%
Female	31%	28%	N/A	41%
Male	19%	19%	N/A	27%
African American	50%	43%	N/A	58%
Caucasian	23%	23%	N/A	30%
African American Female	54%	47%	N/A	61%
African American Male	40%	34%	N/A	48%
Caucasian Female	27%	27%	N/A	35%
Caucasian Male	17%	18%	N/A	23%

Scholarship Preparation: ACT				
	All Programs	HOPE	GAMS*	ASPIRE
Total	15%	17%	N/A	15%
Female	9%	10%	N/A	9%
Male	23%	25%	N/A	23%
African American	14%	15%	N/A	12%
Caucasian	15%	16%	N/A	15%
African American Female	8%	7%	N/A	8%
African American Male	27%	31%	N/A	22%
Caucasian Female	9%	10%	N/A	9%
Caucasian Male	23%	24%	N/A	25%

* GAMS recipients must qualify with both a 3.75 GPA and 29 ACT

Table 8b
Academic Preparation:
Qualification Standards Met by Fall 2006 First-time Freshman TELS Recipients
(Public sector students only)

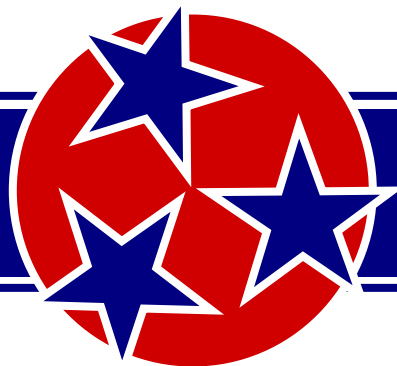
Scholarship Preparation: GPA and ACT				
	All Programs	HOPE	GAMS*	ASPIRE
Total	55%	56%	100%	47%
Female	55%	58%	100%	45%
Male	55%	54%	100%	50%
African American	35%	41%	100%	28%
Caucasian	59%	58%	100%	53%
African American Female	34%	42%	100%	28%
African American Male	36%	40%	100%	30%
Caucasian Female	59%	60%	100%	51%
Caucasian Male	57%	55%	100%	55%

Scholarship Preparation: GPA				
	All Programs	HOPE	GAMS*	ASPIRE
Total	26%	24%	N/A	36%
Female	32%	29%	N/A	43%
Male	19%	18%	N/A	26%
African American	48%	39%	N/A	57%
Caucasian	23%	22%	N/A	30%
African American Female	54%	45%	N/A	62%
African American Male	36%	29%	N/A	44%
Caucasian Female	29%	27%	N/A	37%
Caucasian Male	17%	17%	N/A	22%

Scholarship Preparation: ACT				
	All Programs	HOPE	GAMS*	ASPIRE
Total	19%	20%	N/A	16%
Female	13%	13%	N/A	12%
Male	26%	28%	N/A	24%
African American	17%	19%	N/A	15%
Caucasian	18%	20%	N/A	17%
African American Female	12%	13%	N/A	11%
African American Male	28%	31%	N/A	26%
Caucasian Female	12%	13%	N/A	12%
Caucasian Male	26%	28%	N/A	23%

* GAMS recipients must qualify with both a 3.75 GPA and 29 ACT

SCHOLARSHIP RETENTION



This section of the report presents lottery scholarship retention rates. First is an examination of scholarship retention rates for each award type, then the rates associated with different levels of family income and high school academic performance.

When reading the ensuing narrative, it is important to keep in mind the following distinction: for scholarship recipients who entered the program in Fall 2004, the program's inaugural year, the ACT composite score requirement was 19. In Fall 2005, the ACT standard was raised to 21, which is the current requirement.

While initial eligibility criteria differ from award to award, renewal criteria are consistent across all award types: a 2.75 cumulative GPA after 24 credit hours attempted and 3.0 cumulative GPA for each subsequent 24 credit hours, for up to five academic years.

Scholarship Retention by Award Type and Sector

Table 9 shows freshman to sophomore retention rates for three cohorts of scholarship recipients: students who entered as first-time freshmen in Fall 2004, Fall 2005, and Fall 2006. Retention rates vary widely by award type but have remained relatively stable for the larger programs. Interestingly, the scholarship retention behavior of Fall 2004 freshmen, who entered with a minimum composite ACT score of 19 rather than the currently required 21, essentially mirrors that of later classes.

As THEC now has data for the Fall 2004 freshmen from their first through fourth years of college, this examination will focus on longitudinal analysis of that cohort. Analysis of first to second year retention will look freshmen from Fall 2004 through Fall 2006, and will focus on the most recent class to move from first to second year, the Fall 2006 freshmen.

Cumulative Scholarship Retention Rates

The Fall 2004 first-time freshmen have progressed to their fourth year and THEC is able to examine their scholarship retention rates over time. The rates at which Fall 2004 first-time freshmen retained their TELS awards in Fall 2005, 2006, and 2007 are as follows:

- For the TELS program as a whole, 50 percent of the first-time freshmen from Fall 2004 retained their award in Fall 2005. The scholarship retention rate for this class was 36 percent by Fall 2006 and 32 percent by Fall 2007.
- For basic HOPE, the scholarship received by most students within the program, the scholarship retention rate was 51 percent in Fall 2005, 36 percent by Fall 2006, and 33 percent by Fall 2007.
- For GAMS, which carries the most stringent criteria for initial eligibility, the scholarship retention rate was 90 percent in Fall 2005, 83 percent by Fall 2006 and 77 percent by Fall 2007.
- For the need-contingent ASPIRE, the second largest award within the program, the scholarship retention rate was 41 percent in Fall 2005, 26 percent by Fall 2006, and 23 percent by Fall 2007.

- Access is a one-year award, and students who meet renewal criteria go forward in the program as recipients of the need-based ASPIRE award. Of Access starters, 23 percent retained to Fall 2005, 7 percent to Fall 2006, and 8 percent to Fall 2007. One student regained the award in Fall 2007, causing an increase from 7 percent retention to 8 percent retention. As the beginning cohort of Access students is so small (111 students), the status of each student can greatly affect the percentage retained.

Table 9
Cumulative Scholarship Retention Rates by Award Type
(TELS First-time Freshmen Fall 2004, Fall 2005 and Fall 2006)

Fall 2004 First-time Freshmen				
	Year 1 N =	Year 2	Year 3	Year 4
HOPE	13,635	51%	36%	33%
GAMS	1,069	90%	83%	77%
ASPIRE	5,803	41%	26%	23%
Access	111	23%	7%	8%
Total	20,618	50%	36%	32%
Fall 2005 First-time Freshmen				
	Year 1 N =	Year 2	Year 3	Year 4
HOPE	14,277	51%	38%	
GAMS	1,243	88%	80%	
ASPIRE	5,239	45%	31%	
Access	338	17%	9%	
Total	21,097	51%	38%	
Fall 2006 First-time Freshmen				
	Year 1 N =	Year 2	Year 3	Year 4
HOPE	15,300	51%		
GAMS	1,239	88%		
ASPIRE	6,013	44%		
Access	365	15%		
Total	22,917	50%		

Of the Fall 2005 first-time freshmen, 38 percent kept their award in their third year, slightly higher than the Fall 2004 freshmen. It is unclear whether this is a trend upward following the shift in award qualification from a 19 ACT composite to a 21, or a result of a slightly higher retention rate after their first year. Another year of data that includes the second to third year retention rate of Fall 2006 students will help to determine a pattern.

First to Second Year Scholarship Retention Rates

Overall Scholarship Retention Rates

- Across all programs over the past three years, the scholarship retention rate has been roughly 50 percent.
- Scholarship retention rates vary significantly by program with the GAMS award having the highest scholarship retention rates, followed by HOPE and then the need-based ASPIRE award.
- Scholarship retention rates in the public 2-year sector for the HOPE and ASPIRE awards are very similar; however, HOPE and ASPIRE scholarship retention rates differ by 7 to 13 percentage points within the 4-year institutions.

HOPE Scholarship Retention Rates

- Within the basic HOPE award, Fall 2006 freshmen retained awards the following fall at a rate of 51 percent, the same rate as for the cohort prior.
- By sector, the rates were 55 percent for independent institutions, 54 percent for public universities, and 39 percent for community colleges.

General Assembly Merit Scholarship Retention Rates

The initial eligibility requirements for the GAMS award are the most rigorous of all TELS award types. Within the GAMS award:

- Fall 2006 freshmen retained awards the following fall at a rate of 88 percent, consistent with the cohorts prior.
- By sector, the rates were 91 percent for public universities, 84 percent for independent institutions affiliated with TICUA, and 42 percent for community colleges. It should be noted that the number of first-time community college GAMS students was below 20.

ASPIRE Scholarship Retention Rates

HOPE and ASPIRE carry the same initial eligibility requirements except that the family income of ASPIRE recipients must be below \$36,000 annually. Within this need-based award:

- Fall 2006 freshmen retained awards the following fall at a rate of 44 percent, the same rate as the cohort prior.
- By sector, the rates were 49 percent for independent institutions, 46 percent for public universities, and 38 percent for community colleges.

Access Award Retention Rates

The Access program provides a reduced award to needy students (\$36,000 and below) who had a high school GPA of 2.75 to 2.99 and an ACT score of 18-20, thus not quite meeting the academic criteria in high school for the HOPE award with ASPIRE supplement. Though this is a one-time award, recipients who satisfy the requirements for postsecondary performance receive ASPIRE going forward. As the award is quite small, with just a few hundred students per cohort, the retention rates are very sensitive to individual student activity. Within the Access program:

- Fall 2006 freshmen retained awards the following fall at a rate of 15 percent, down two points from the cohort prior.
- By sector, the rates were 13 percent for public universities and 18 percent for community colleges. The number of Access students at independent institutions was less than 15, thus affecting the Access retention rates for independent institutions.

Table 10
Scholarship Retention Rates by Award Type and Initial Postsecondary Sector Attended
(TELS First-time Freshmen Fall 2004, Fall 2005 and Fall 2006)

Year 1 to Year 2 Lottery Retention Rate: Fall 2004 First-Time Freshmen N = 20,618					
	HOPE	GAMS	ASPIRE	ACCESS	Total
Public 4-Yr	52%	89%	41%	30%*	51%
Public 2-Yr	41%	77%*	37%	20%*	40%
Independent	58%	91%	45%	0%*	58%
Total	51%	90%	41%	23%	50%
Year 1 to Year 2 Lottery Retention Rate: Fall 2005 First-Time Freshmen N = 21,097					
	HOPE	GAMS	ASPIRE	ACCESS	Total
Public 4-Yr	54%	89%	47%	20%	54%
Public 2-Yr	36%	58%*	36%	12%	37%
Independent	64%	86%	56%	24%*	65%
Total	51%	88%	45%	17%	51%
Year 1 to Year 2 Lottery Retention Rate: Fall 2006 First-Time Freshmen N = 22,917					
	HOPE	GAMS	ASPIRE	ACCESS	Total
Public 4-Yr	54%	91%	46%	13%	54%
Public 2-Yr	39%	42%*	38%	18%	38%
Independent	55%	84%	49%	8%*	56%
Total	51%	88%	44%	15%	50%

*Indicates original cohort size for a given sector was less than 100.

Family Income and Scholarship Retention

Data from the FAFSA make it possible to analyze the relationship between family income and postsecondary performance outcomes. For first to second year scholarship retention, this examination will use the most current cohort available for this purpose, Fall 2006 first-time freshmen. For a more longitudinal analysis, scholarship retention by income for Fall 2005 first-time freshmen will be utilized, as income data for Fall 2004 freshmen are limited.

In short, as family income rises, so does the likelihood of maintaining eligibility for a TELS award. This relationship proceeds in highly linear fashion when looking across all award types. Variation within the GAMS award is likely due to the small number of students within each band of family income.

First to Second Year Scholarship Retention Rates

- Scholarship retention increases as family income increases
 - Within HOPE and ASPIRE, which have the same initial academic eligibility criteria, there was a difference of 15 percentage points in award retention rates between the highest and lowest income group.
 - HOPE students from families earning over \$96,000 retained their awards at a 57 percent rate, compared to 42 percent for ASPIRE students from families earning \$12,000 and below (**Table 11**).

Table 11
Scholarship Retention Rates by Award Type and Family Income:
Fall 2006 First-time Freshmen Who Retained Award Fall 2007

	HOPE N=14,472	GAMS N=1,222	ASPIRE N=5,515	Access N=324	Total N=21,533
\$12,000 and below	Students receive ASPIRE		42%	13%	40%
\$12,001 - \$24,000			44%	15%	42%
\$24,001 - \$36,000			48%	16%	46%
\$36,001 - \$48,000	47%	81%	Programs require family income of \$36,000 or less		48%
\$48,001 - \$60,000	50%	90%			52%
\$60,001 - \$72,000	52%	85%			54%
\$72,001 - \$84,000	53%	90%			55%
\$84,001 - \$96,000	55%	91%			58%
Over \$96,000	57%	90%			60%
Total	53%	89%	45%	15%	52%

Cumulative Scholarship Retention Rates by Income

- The gap in scholarship retention by income persists over time (**Table 12**).
 - Looking at Fall 2005 first-time freshmen, there is a difference of 15 percentage points between the lowest and highest income groups retained from Year 1 to Year 2.
 - In Year 3, the gap is 16 percentage points and the linear relationship remains.
 - This analysis looks only at HOPE and ASPIRE students as their qualifications are equivalent, but their income levels vary. GAMS students retain the scholarship in a similar fashion by income level.

Table 12
Cumulative Scholarship Retention by Income:
Fall 2005 TELS First-time Freshmen

N = 17,674 (HOPE & ASPIRE students only)		
	Year 2	Year 3
\$12,000 and below	44%	29%
\$12,001 - \$24,000	46%	32%
\$24,001 - \$36,000	50%	35%
\$36,001 - \$48,000	51%	35%
\$48,001 - \$60,000	52%	36%
\$60,001 - \$72,000	54%	40%
\$72,001 - \$84,000	57%	42%
\$84,001 - \$96,000	58%	43%
Over \$96,000	59%	45%
Total	54%	39%

High School Preparation and Scholarship Retention

High school preparation and performance are important predictors of college academic success. In short, students who perform better academically in high school tend to perform better at the postsecondary level. Grade point averages and ACT scores are widely accepted measures of secondary achievement. The TELS program acknowledges the importance of each of these academic indicators by requiring that students meet either the high school grade point average or ACT requirement to gain eligibility for most program awards. Tennessee's requirement that students meet one standard rather than both makes its merit scholarship more accessible than programs in many other states.

As mentioned previously, TELS students starting in Fall 2005 did so under current standards for initial eligibility. In this section, scholarship retention rates for Fall 2005 and Fall 2006 cohorts of students are calculated based on the manner in which they qualified for the award.

Table 13 shows the percentage of Fall 2005 and Fall 2006 first-time freshmen who retained their scholarship in Fall 2006. The table allows comparison of the retention rates associated with the manner in which students qualified for an award: meeting the high school GPA standard, meeting the ACT standard, or both. Results are shown for each award type and are broken down by gender and race/ethnicity. **Appendix B** further disaggregates these results by the postsecondary sector attended.

Data for Fall 2005 first-time freshmen includes private sector students, however, data for Fall 2006 first-time freshmen from the private sector has been excluded due to potential data errors.

This analysis attempts to provide perspective on scholarship retention by race/ethnicity and gender while controlling for high school preparation. THEC is currently working on a more extensive examination of these three variables along with family income in order to comment on the effect of each variable on scholarship retention and college retention.

Overall TELS Retention Rates

- Looking across all TELS award types, scholarship retention rates were highest for students who qualified on the basis of both academic criteria.
- For Fall 2006 first-time freshmen in public institutions who met both academic criteria for initial eligibility, the Fall 2007 scholarship retention rate for the TELS program overall was 62 percent: 91 percent for the General Assembly Merit Scholarship, 61 percent for basic HOPE, and 55 percent for the need-based ASPIRE.
- Scholarship retention rates were generally higher for females than for males. Looking at scholarship retention by race and gender, Caucasian females had the highest retention rates of any group.
- Scholarship retention rates were generally higher for Caucasian students than for African American students.

HOPE Scholarship Retention Rates

- Within the basic HOPE award, the scholarship retention rate was 61 percent for students who qualified by meeting both academic criteria, 42 percent for students who qualified solely on the basis of high school GPA, and 44 percent for students who qualified by ACT score alone.

- Retention rates ranged from a high of 66 percent for Caucasian females who met both the high school GPA and ACT standards to a low of 15 percent for African American males who qualified on the basis of ACT score alone.

ASPIRE Scholarship Retention Rates

- Within the need-based ASPIRE award, the scholarship retention rate was 55 percent for students who qualified by meeting both academic criteria, 38 percent for students who qualified solely on the basis of high school GPA, and 39 percent for students who qualified by ACT score alone.
- Retention rates ranged from 56 percent for Caucasian females who met both the high school GPA and ACT standards to 8-26 percent for students who qualified on the basis of ACT score alone.

Table 13a
Scholarship Retention Rates of
Fall 2005 TELS First-time Freshmen by Qualifications Met

Scholarship Retention: GPA and ACT				
	All Programs	HOPE	GAMS*	ASPIRE
Total	66%	65%	88%	60%
Female	69%	68%	90%	63%
Male	62%	60%	87%	55%
African American	58%	59%	N/A**	56%
Caucasian	67%	65%	89%	60%
African American Female	60%	63%	N/A**	57%
African American Male	52%	50%	N/A**	53%
Caucasian Female	69%	68%	90%	64%
Caucasian Male	63%	61%	88%	55%

Scholarship Retention: GPA				
	All Programs	HOPE	GAMS*	ASPIRE
Total	42%	43%	N/A	39%
Female	44%	45%	N/A	41%
Male	38%	39%	N/A	34%
African American	37%	39%	N/A	36%
Caucasian	43%	45%	N/A	40%
African American Female	40%	42%	N/A	39%
African American Male	28%	30%	N/A	26%
Caucasian Female	45%	47%	N/A	42%
Caucasian Male	39%	41%	N/A	35%

Scholarship Retention: ACT				
	All Programs	HOPE	GAMS*	ASPIRE
Total	23%	23%	N/A	21%
Female	26%	28%	N/A	20%
Male	21%	21%	N/A	22%
African American	24%	26%	N/A	22%
Caucasian	23%	23%	N/A	21%
African American Female	26%	28%	N/A	25%
African American Male	23%	25%	N/A	20%
Caucasian Female	26%	28%	N/A	20%
Caucasian Male	21%	21%	N/A	22%

* GAMS recipients must have both a 3.75 GPA and 29 ACT

** The number of awardees was below 10

Table 13b
Scholarship Retention Rates of
Fall 2006 TELS First-time Freshmen by Qualifications Met
(Public sector students only)

Scholarship Retention: GPA and ACT				
	All Programs	HOPE	GAMS*	ASPIRE
Total	62%	61%	91%	55%
Female	65%	66%	92%	55%
Male	58%	56%	89%	55%
African American	54%	56%	100%**	50%
Caucasian	59%	58%	88%	52%
African American Female	58%	61%	100%**	52%
African American Male	46%	45%	100%**	46%
Caucasian Female	66%	66%	94%	56%
Caucasian Male	58%	57%	88%	55%

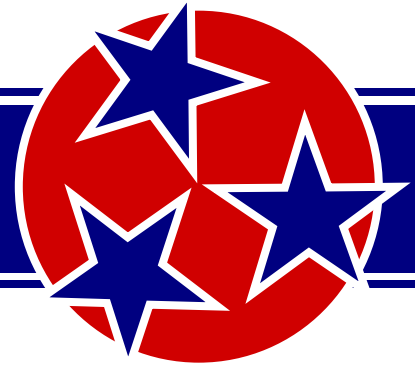
Scholarship Retention: GPA				
	All Programs	HOPE	GAMS*	ASPIRE
Total	40%	42%	N/A	38%
Female	41%	43%	N/A	39%
Male	38%	39%	N/A	35%
African American	32%	35%	N/A	29%
Caucasian	40%	41%	N/A	39%
African American Female	33%	36%	N/A	30%
African American Male	29%	33%	N/A	25%
Caucasian Female	44%	44%	N/A	43%
Caucasian Male	40%	40%	N/A	39%

Scholarship Retention: ACT				
	All Programs	HOPE	GAMS*	ASPIRE
Total	43%	44%	N/A	39%
Female	54%	57%	N/A	47%
Male	34%	35%	N/A	32%
African American	35%	17%	N/A	50%
Caucasian	26%	28%	N/A	22%
African American Female	23%	30%	N/A	16%
African American Male	12%	15%	N/A	8%
Caucasian Female	32%	34%	N/A	26%
Caucasian Male	23%	24%	N/A	20%

* GAMS recipients must have both a 3.75 GPA and 29 ACT

** The number of awardees was below 10

COLLEGE RETENTION



Having presented the rates at which students retain lottery scholarship awards, this section describes the rates at which students are retained in college. The chapter is divided into two sections.

- College Retention for Fall 2004 First-time Freshmen. Based on longitudinal tracking of TELS freshmen who entered college in Fall 2004:
 - The data show how many students from the original TELS freshman cohort were retained in college into their second, third, and fourth year of college -- Fall 2005, 2006, and 2007 respectively.
 - The data also describe how many from the original cohort continued in college with and without their TELS award.
 - This results in a comprehensive picture of the college retention rates and scholarship retention rates for these students in their sophomore, junior, and senior years of college.
- Shifts in enrollment by postsecondary sector by persisters and forfeiters. For those students who stayed in school, a comparison is made between students who did so with and without the scholarship in order to examine enrollment shifts by postsecondary sector. For students who lost their scholarship, a comparison is made between students who stayed in college to those who left, examining differences in their family income and the sector of initial enrollment.

College Retention for Fall 2004 First-time Freshmen

For the ensuing analysis, Fall 2004 TELS first-time freshman are longitudinally tracked into Fall 2007. **Table 14** contains the results. Due to data limitations on non-TELS students in the independent sector, TICUA institutions are excluded for purposes of this analysis.

Table 14
Fall 2004, Fall 2005, and Fall 2006 TELS First-Time Freshmen:
Continued Enrollment in Subsequent Fall Terms, by Original Award Type

Fall 2004 First-Time Freshmen												
		Returned Fall2005				Returned Fall 2006				Returned Fall 2007		
	N =	With TELS	Without TELS	Overall		With TELS	Without TELS	Overall		With TELS	Without TELS	Overall
HOPE	11,675	49%	35%	84%		36%	40%	76%		33%	33%	66%
GAMS	721	89%	7%	96%		84%	10%	94%		77%	11%	88%
ASPIRE	5,012	40%	34%	74%		26%	37%	63%		23%	29%	52%
Access	101	25%	39%	63%		9%	38%	47%		8%	29%	37%
Total	17,509	48%	33%	82%		35%	38%	73%		32%	31%	63%
Fall 2005 First-Time Freshmen												
		Returned Fall 2006				Returned Fall 2007						
	N =	With TELS	Without TELS	Overall		With TELS	Without TELS	Overall				
HOPE	14,277	52%	32%	84%		38%	34%	72%				
GAMS	1,243	88%	9%	96%		80%	9%	89%				
ASPIRE	5,239	45%	31%	76%		31%	31%	62%				
Access	338	17%	48%	65%		9%	41%	49%				
Total	21,097	51%	30%	82%		38%	32%	70%				
Fall 2006 First-Time Freshmen												
		Returned Fall 2007										
	N =	With TELS	Without TELS	Overall								
HOPE	15,300	51%	29%	80%								
GAMS	1,239	88%	5%	94%								
ASPIRE	6,013	44%	28%	72%								
Access	365	15%	52%	66%								
Total	22,917	50%	28%	78%								

Note: Due to data limitations on non-TELS students in independent institutions, these results are for Tennessee public institutions only.

The following observations can be made about Fall 2004 first-time freshmen who lost their lottery scholarships but remained in school:

- Overall: The overall college retention rate for TELS recipients, both who retained and did not retain their award was 82 percent from Fall 2004 to 2005, 73 percent from Fall 2005 to 2006, and 63 percent from Fall 2006 to 2007.
 - Of the 63 percent of the initial 2004 cohort still enrolled in Fall 2007, nearly half (32 percent) were still receiving a TELS award.
- HOPE: The overall college retention rate for HOPE recipients was 84 percent from Fall 2004 to 2005, 76 percent from Fall 2005 to 2006, and 66 percent from Fall 2006 to 2007.
 - Of the 66 percent of HOPE students still enrolled in Fall 2007, half (33 percent) were still receiving TELS.

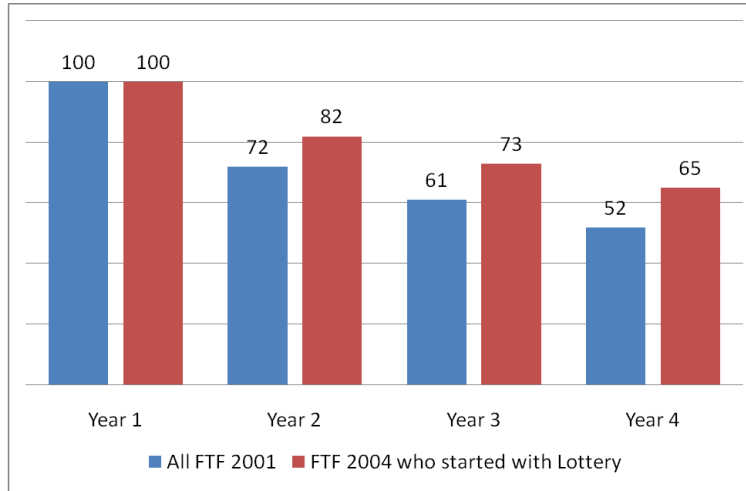
- GAMS: The overall college retention rate for GAMS recipients was 96 percent after the first year, 94 percent after the second year, and 88 percent after the third year.
 - Of the 88 percent of GAMS students still enrolled in 2007, more than four in five (77 percent) still had TELS.
- ASPIRE: The overall college retention rate for ASPIRE recipients was 74 percent after the first year, 63 percent after the second year, and 52 percent after the third year.
 - Of the 52 percent of ASPIRE students still enrolled in 2007, slightly less than half (23 percent) still had TELS.
- Access: The overall college retention rate for Access recipients was 63 percent from Fall 2004 to 2005, 47 percent from Fall 2005 to 2006, and 37 percent from Fall 2006 to 2007.
 - Of those Access students still enrolled in Fall 2007, only eight percent were still receiving TELS. The Access award has the lowest academic requirements of any award type as well as an income requirement, which may contribute to the low rates of scholarship retention.

Summary observations about college retention rates (**Table 14**):

- Nearly all GAMS recipients are remaining in school. The actual college retention rate for these students is likely even higher than the 88 percent reported for Fall 2007; however, once students exit the scholarship program, THEC's student-level data are limited to the in-state public higher education system.
- For students who entered college on an award other than GAMS, the percentages of students who lost the scholarship but remained enrolled are similar, ranging from 34 to 39 percent in Fall 2005, 37 to 40 percent in Fall 2006, and 29 to 33 percent in Fall 2007. This indicates that the differences in college retention are primarily from students who lost their scholarship and dropped out (or stopped out) of school. Therefore, the following section has a comparison of students who lost their scholarship but stayed in school to those who lost and left, looking specifically at differences in initial postsecondary sector attended, family income, and academic preparation.
- While there is virtually no drop-off in the college retention rate between Fall 2005 and Fall 2006 for GAMS students, there was attrition in that time period among students who began with all other types of awards, ranging from a decrease of eight percentage points for HOPE starters to 16 points for Access starters, suggesting that continuous enrollment becomes increasingly difficult for students who lose their award.

As compared to all students, TELS students are retained in college at a higher rate. The chart below compares Fall 2004 first-time freshmen TELS students at public institutions with all students at public institutions.

Figure 2
College Retention of
Fall 2004 TELS First-time Freshmen vs. All Students



Shifts In Enrollment By Postsecondary Sector By Persisters And Forfeitters

This analysis examines changes in the sector of enrollment for Fall 2004, Fall 2005, and Fall 2006 first-time freshmen who either lost or retained the scholarship in their second year. **Table 15** contains the results. Once again, independent colleges are excluded from this analysis due to data limitations.

Table 15
Postsecondary Sector Enrollment Shifts:
Fall 2004, Fall 2005 and Fall 2006 TELS First-time Freshmen who
Began at a Public Institution and Lost Scholarship but Remained Enrolled

	Fall 2004 First-time Freshmen		Fall 2005 First-time Freshmen		Fall 2006 First-time Freshmen	
	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
TBR 4-year	43%	39%	43%	41%	42%	41%
TBR 2-year	26%	34%	28%	36%	30%	36%
UT	31%	26%	30%	25%	29%	24%

Among TELS recipients in Tennessee's public higher education system who lost the scholarship but remained enrolled within the public sector:

- TBR 2-year institutions gained the largest proportion of students (6-8 percent) among those who lost scholarship eligibility after their first college year.
- UT campuses lost the largest enrollment share among students who lost an award (5 percent).
- TBR universities lost 1-4 percent of their students who lost an award.

- These results suggest that among students who lose their scholarship, there is some transfer from the four-year to the two-year sector, perhaps due to a combination of financial and academic reasons.

In contrast, the enrollment patterns for students who retained their award are as expected, as students begin to transfer out of the community colleges into the public and independent four-year sectors (**Table 16**).

Table 16
Postsecondary Sector Enrollment Shifts:
Fall 2004, Fall 2005 and Fall 2006 TELS First-time Freshmen who Began at a Public Institution, Retained Scholarship, and Remained Enrolled

	Fall 2004 First-time Freshmen		Fall 2005 First-time Freshmen		Fall 2006 First-time Freshmen	
	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
TBR 4-year	43%	44%	43%	45%	42%	42%
TBR 2-year	26%	21%	28%	22%	30%	24%
UT	31%	35%	30%	35%	29%	35%

Among TELS recipients who retained the scholarship and remained enrolled within Tennessee's public postsecondary system:

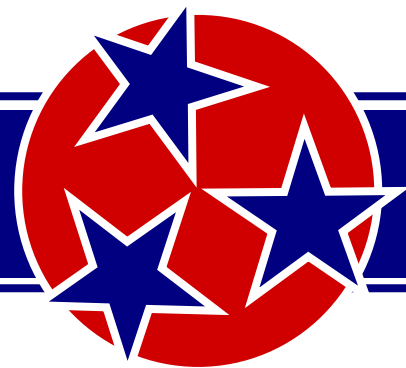
- UT institutions gained the largest proportion of students (4-6 percent) among those who maintained scholarship eligibility after their first college year.
- Community colleges lost the largest share of students among award retainers (5-6 percent), an unsurprising result since students routinely begin in the 2-year sector with the intention of moving on to a four-year institution.

Not shown in earlier tables is the fact that students who remained in school after losing their TELS award tended to come from higher income families. Two-thirds of Fall 2006 TELS first-time freshmen who lost their scholarship from the highest family income group returned to school. Among such students from the lowest income families, the return-to-college rate was 51 percent, a difference of 14 percentage points (**Table 17**).

Table 17
Fall 2006 TELS First-time Freshmen Who Lost Scholarship but Remained Enrolled Fall 2007, by Family Income

Family AGI	HOPE N=6,866	GAMS N=140	ASPIRE N=3,027	Access N=274	Total N=10,307
\$12,000 and below	These students receive ASPIRE		50%	58%	51%
\$12,001 - \$24,000			51%	61%	52%
\$24,001 - \$36,000			52%	62%	53%
\$36,001 - \$48,000	55%	38%	These programs require family income of \$36,000 or less		54%
\$48,001 - \$60,000	56%	33%			55%
\$60,001 - \$72,000	56%	61%			56%
\$72,001 - \$84,000	60%	50%			60%
\$84,001 - \$96,000	64%	23%			63%
Over \$96,000	65%	55%			65%
Total	60%	46%	51%	59%	57%

BEST AND BRIGHTEST: AN EXAMINATION OF STUDENT ENROLLMENT PATTERNS SINCE CREATION OF THE LOTTERY SCHOLARSHIP



One of the goals of the Tennessee Education Lottery Scholarship program is to retain the state's "best and brightest" students in Tennessee colleges and universities. Progress toward this goal has been made since the program's inception, with the benefits being largely localized to the University of Tennessee and the state's private non-profit institutions.

- Since inception of the scholarship, the annual rate of growth in enrollment among Tennessee resident freshmen has accelerated at independent institutions and UT campuses while decelerating at TBR universities, community colleges, and out-of-state institutions.
- Among recent Tennessee high school graduates who enroll in college, the percentage choosing Tennessee institutions has increased from 81.6 percent just prior the lottery scholarship to 84.5 percent currently. Out-of-state universities (High Research Activity) and Master's Level institutions have lost the greatest share of this population.⁴
- The ACT profile of the entering freshman class has improved at UT Knoxville and appears to be rebounding at the University of Memphis. The average ACT scores of state resident freshmen have not increased at other types of public institutions.

Table 18 incorporates data from the federal Integrated Postsecondary Education Data System (IPEDS) to account for both the in-state and out-of-state enrollment of recent high school graduates from Tennessee -- those who graduated within the past 12 months. Enrollment growth among Tennessee high school recent graduates has outpaced that of the undergraduate population as a whole (which has increased by about two percent annually), though the pace of this growth differs markedly by sector.

- The UT system saw a 22 percent increase in Tennessee high school recent graduates in Fall 2004 and, from that new base, has continued to sustain annual growth at rates nearly double those of the pre-lottery years.
- Prior to the lottery scholarship, Tennessee's private non-profit institutions were experiencing no growth among the state's recent high school graduates. Since the scholarship's implementation, private college enrollment growth among this population has averaged 13.9 percent annually.
- Since the scholarship, the growth rate among recent high school graduates has decelerated at TBR universities, community colleges, and out-of-state institutions.

⁴ These institutional categories refer to the Carnegie Classification of 2005 and are based on research activity and the number and level of degrees awarded. See www.carnegiefoundation.org/classifications

Table 18
Compound Annual Growth Rates in Fall Term Enrollment of
Tennessee Resident First-Time Freshmen:
Pre- and Post-Lottery Scholarship

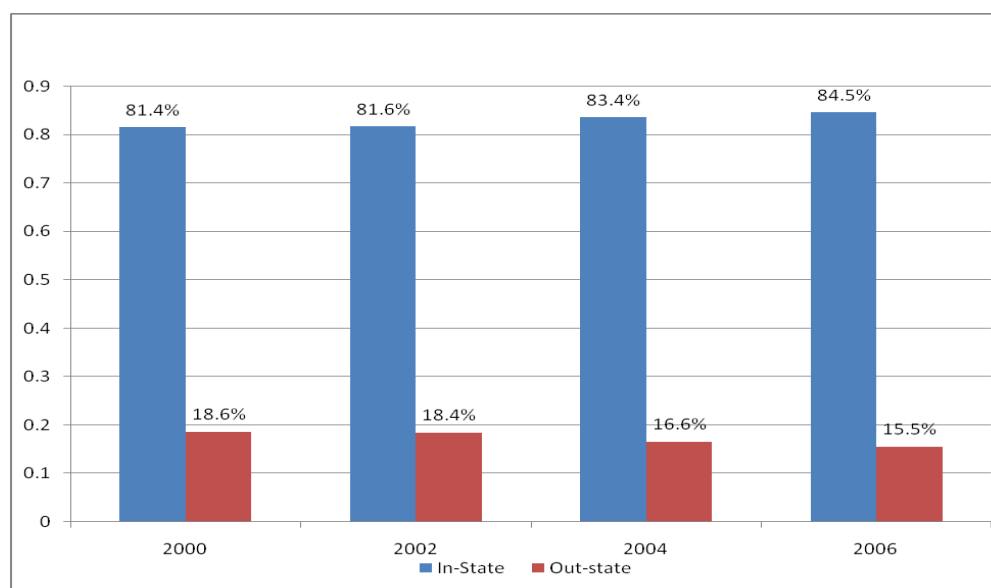
	Compound average annual rates of enrollment growth 1997* - 2003	Enrollment growth (%) from 2003 - 2004	Compound average annual rates of enrollment growth 2004 - 2006
UT System	2.2%	21.9%	4.0%
TBR 4-year	6.2%	8.3%	2.7%
TBR 2-year	12.2%	3.8%	3.7%
Private non-profit	-0.2%	5.3%	13.9%
Out-of-state	2.2%	-0.5%	1.0%

*For private and out-of-state institutions, the growth rate is based on 1998-2003 due to unavailability of 1997 data.

Sources: IPEDS, THEC

Figure 3 indicates that the post-lottery years have seen a continuation and acceleration of a trend toward selection of in-state institutions. In Fall 2006, 84.5 percent of Tennessee recent high school graduates enrolled in state institutions, up from 81.6 percent in Fall 2002. Though not shown in the figure, the kinds of out-of-state institutions that have lost the greatest market share among Tennessee high school graduates have been Master's level institutions and universities classified as having High Research Activity.

Figure 3
Destination of Tennessee High School Recent Graduates, In-State vs. Out-of-State,
Fall 2000 – Fall 2006

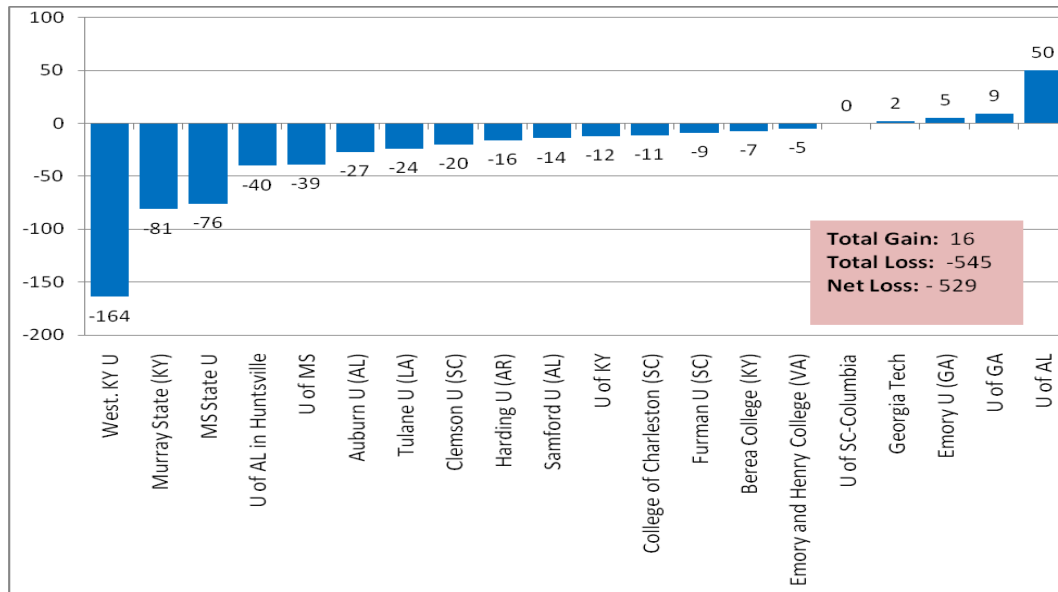


*First-time enrolling freshmen who graduated from high school during the past 12 months.

Source: IPEDS Residence and Migration Survey

Figure 4 shows the downward trend in enrollment by Tennessee recent high school graduates in the 20 out-of-state institutions that enrolled the largest number of Tennessee high school graduates in Fall 2002. On net, these institutions lost a total of 529 recent high school graduates from Tennessee between Fall 2002 and Fall 2006. Of the four out-of-state institutions experiencing the largest decreases in Tennessee students, three are moderately to non-selective public universities near the Tennessee border.

Figure 4
Top 20 Out-of-State Institutions Enrolling the Most Tennesseans in Fall 2002:
Change in Tennessee Resident Freshmen, Fall 2002 - Fall 2006

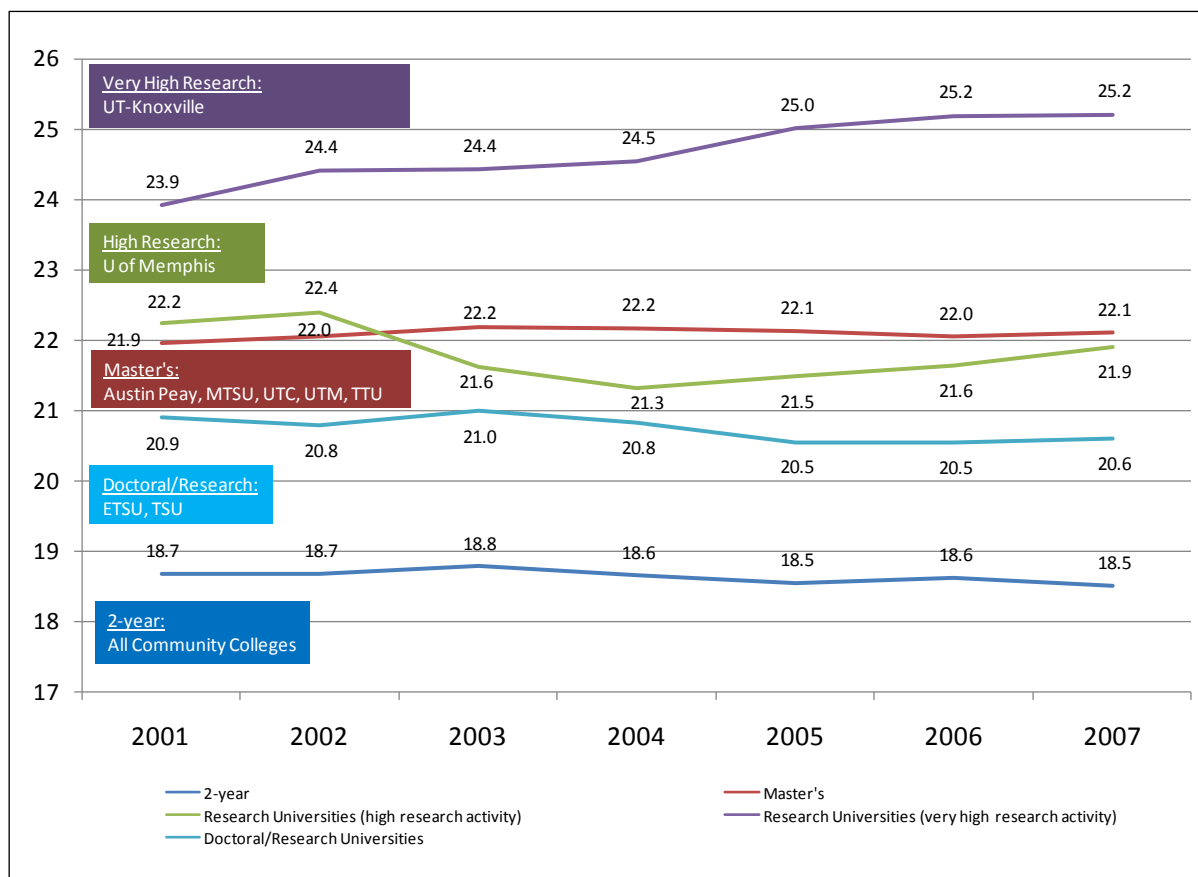


Notes: First-time enrolling freshmen who graduated from high school during past 12 months

Source: IPEDS Residence and Migration Survey

Figure 5 illustrates that the enrollment increases by Tennessee high school graduates have translated into an improved freshman class academic profile at one public institution -- the University of Tennessee Knoxville, where the average entering freshman ACT rose from 23.9 in Fall 2001 to 25.2 in Fall 2006. Average ACT scores at the University of Memphis decreased in 2003 and 2004 but have increased steadily each year since the lottery scholarship. At other types of public institutions, the average ACT scores of freshman state residents have remained virtually unchanged or decreased.

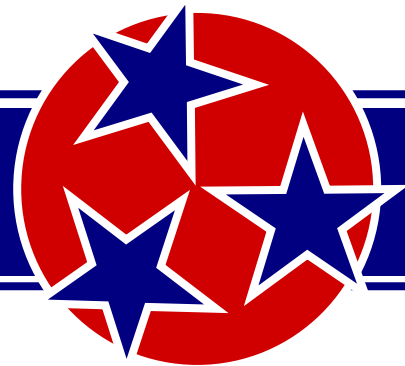
Figure 5
Average ACT Composite Score of Tennessee Resident Freshmen
by Carnegie Classification (2005),
Fall 2001 - Fall 2006



Source: THEC

To date, the impact of the lottery scholarship on enrollment growth has not been dramatic, though enrollment shifts between sectors are discernible -- in broad terms, away from community colleges and certain out-of-state institutions toward the University of Tennessee and private non-profit institutions. Furthermore, the brain drain reversal has been rather dramatic at certain out-of-state institutions near Tennessee's borders. In closing, the lottery scholarship's potential benefits in terms of boosting successful participation in postsecondary education are likely to be enhanced by recent policy developments at the secondary level: the State Board of Education's adoption of more rigorous curricular requirements for high school graduation; and the rapid acceleration of dual enrollment participation, aided by the lottery scholarship's Dual Enrollment Grant.

APPENDICIES



Appendix A: High School Preparation Levels of Fall 2006 First-Time Freshman TELS Recipients, by Initial Postsecondary Sector	30
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Appendix B: Fall 2007 Scholarship Retention by High School Preparation Level of Fall 2006 TELS Freshmen, by Initial Postsecondary Sector	32
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Appendix A
High School Preparation of Fall 2006 TELS First-Time Freshmen:
Public 4-year Sector

Met ACT and High School GPA Standards				
	All Programs	HOPE	GAMS*	ASPIRE
Total	62%	63%	100%	54%
Female	63%	65%	100%	52%
Male	61%	60%	100%	56%
African American	31%	44%	100%**	38%
Caucasian	67%	66%	100%	63%
African American Female	38%	45%	100%**	31%
African American Male	38%	41%	100%**	33%
Caucasian Female	69%	69%	100%	63%
Caucasian Male	64%	62%	100%	64%

Met High School GPA Standard Only				
	All Programs	HOPE	GAMS*	ASPIRE
Total	20%	17%	N/A	30%
Female	24%	21%	N/A	35%
Male	14%	13%	N/A	21%
African American	45%	37%	N/A	54%
Caucasian	15%	15%	N/A	20%
African American Female	50%	42%	N/A	58%
African American Male	35%	29%	N/A	42%
Caucasian Female	18%	18%	N/A	24%
Caucasian Male	12%	12%	N/A	15%

Met ACT Standard Only				
	All Programs	HOPE	GAMS*	ASPIRE
Total	18%	20%	N/A	17%
Female	13%	14%	N/A	13%
Male	24%	27%	N/A	23%
African American	17%	19%	N/A	15%
Caucasian	18%	20%	N/A	17%
African American Female	12%	13%	N/A	11%
African American Male	27%	30%	N/A	25%
Caucasian Female	13%	13%	N/A	13%
Caucasian Male	24%	26%	N/A	21%

* GAMS recipients must have both a 3.75 gpa and 29 ACT

**Number of awardees was below 10.

Appendix A
High School Preparation of Fall 2006 TELS First-Time Freshmen :
Public 2-year Sector

Met ACT and High School GPA Standards				
	All Programs	HOPE	GAMS*	ASPIRE
Total	38%	39%	100%	34%
Female	38%	40%	100%**	33%
Male	38%	38%	100%**	37%
African American	14%	19%	N/A	10%
Caucasian	40%	40%	100%**	37%
African American Female	10%	12%**	N/A	9%**
African American Male	21%	31%	N/A	13%**
Caucasian Female	40%	41%	100%**	36%
Caucasian Male	39%	39%	100%**	39%

Met High School GPA Standard Only				
	All Programs	HOPE	GAMS*	ASPIRE
Total	42%	39%	N/A	50%
Female	50%	47%	N/A	56%
Male	31%	29%	N/A	36%
African American	67%	54%	N/A	75%
Caucasian	41%	39%	N/A	47%
African American Female	77%	69%	N/A	82%
African American Male	43%	31%	N/A	55%
Caucasian Female	49%	47%	N/A	53%
Caucasian Male	30%	29%	N/A	35%

Met ACT Standard Only				
	All Programs	HOPE	GAMS*	ASPIRE
Total	20%	21%	N/A	16%
Female	12%	13%	N/A	11%
Male	31%	32%	N/A	27%
African American	14%	19%	N/A	10%
Caucasian	19%	21%	N/A	16%
African American Female	12%	19%	N/A	8%**
African American Male	36%	39%	N/A	33%
Caucasian Female	12%	12%	N/A	11%
Caucasian Male	31%	32%	N/A	26%

* GAMS recipients must have both a 3.75 gpa and 29 ACT

**Number of awardees was below 10.

Appendix B
Fall 2007 Scholarship Retention by High School Preparation Level
for Fall 2006 TELS First-Time Freshmen in Public 4-year Sector

Those retaining an Award Who Met ACT and High School GPA Standards				
	All Programs	HOPE	GAMS*	ASPIRE
Total	65%	64%	91%	58%
Female	68%	69%	94%	59%
Male	60%	58%	89%	57%
African American	56%	57%	100%**	52%
Caucasian	66%	65%	92%	59%
African American Female	59%	62%	100%**	54%
African American Male	49%	48%	100%**	48%
Caucasian Female	70%	70%	95%	60%
Caucasian Male	61%	58%	89%	58%

Met High School GPA Standard Only				
	All Programs	HOPE	GAMS*	ASPIRE
Total	41%	43%	N/A	37%
Female	42%	45%	N/A	38%
Male	39%	41%	N/A	35%
African American	34%	38%	N/A	31%
Caucasian	44%	45%	N/A	43%
African American Female	35%	39%	N/A	32%
African American Male	30%	34%	N/A	26%
Caucasian Female	46%	46%	N/A	44%
Caucasian Male	42%	42%	N/A	41%

Met ACT Standard Only				
	All Programs	HOPE	GAMS*	ASPIRE
Total	30%	33%	N/A	23%
Female	36%	39%	N/A	28%
Male	27%	29%	N/A	19%
African American	18%	21%	N/A	15%
Caucasian	32%	33%	N/A	26%
African American Female	25%	31%	N/A	19%
African American Male	13%	13%	N/A	11%
Caucasian Female	38%	40%	N/A	33%
Caucasian Male	28%	30%	N/A	20%

* GAMS recipients must have both a 3.75 GPA and 29 ACT

**Number of awardees was below 10.

Appendix B
Fall 2007 Scholarship Retention by High School Preparation Level
for Fall 2006 TELS First-Time Freshmen in Public 2-year Sector

Met ACT and High School GPA Standards				
	All Programs	HOPE	GAMS*	ASPIRE
Total	49%	51%	40%**	46%
Female	50%	53%	29%**	45%
Male	48%	48%	67%**	47%
African American	18%	22%	N/A	13%
Caucasian	50%	51%	44%**	47%
African American Female	24%	43%**	N/A	10%**
African American Male	13%	9%	N/A	20%**
Caucasian Female	51%	53%	33%**	47%
Caucasian Male	49%	49%	67%**	48%

Met High School GPA Standard Only				
	All Programs	HOPE	GAMS*	ASPIRE
Total	39%	40%	N/A	38%
Female	40%	41%	N/A	39%
Male	37%	37%	N/A	36%
African American	21%	18%	N/A	23%
Caucasian	41%	40%	N/A	41%
African American Female	21%	18%	N/A	23%
African American Male	21%	18%	N/A	23%
Caucasian Female	42%	42%	N/A	43%
Caucasian Male	37%	37%	N/A	38%

Met ACT Standard Only				
	All Programs	HOPE	GAMS*	ASPIRE
Total	19%	19%	N/A	19%
Female	24%	26%	N/A	19%
Male	17%	16%	N/A	19%
African American	11%	20%	N/A	0%
Caucasian	19%	19%	N/A	19%
African American Female	10%	18%	N/A	0%
African American Male	11%	21%	N/A	0%
Caucasian Female	22%	24%	N/A	18%
Caucasian Male	17%	16%	N/A	20%

* GAMS recipients must have both a 3.75 GPA and 29 ACT

**Number of awardees was below 10.